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STATE OF WASHINGTON. (State) Governor

MESSAGE

OF

GOVERNOR J. H. McGRAW

TO THE

LEGISLATURE OF 1895.

OLYMPIA WASH.:
O. C. WHITE, . . . STATE PRINTER.
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MESSAGE.

STATE OF WASHINGTON, EXECUTIVE DEPARTMENT,
OLYMPIA, WASH., JANUARY 14, 1895.

Gentlemen of the Senate and House of Representatives:

In discharging the duty prescribed by constitutional mandate I should first speak for an expectation uppermost in the public mind. When the star of Washington rose in the constellation of the union, retrogression seemed impossible to the nation's prosperity. Unchallenged credit, clamorous investors and an enviable reputation abroad; inestimable resources, profitable industries and bounding values at home, constituted abundant cause for faith in our capacity for immediate liquidation. Richly endowed under the enabling act, the cost of establishing and maintaining our institutions was guaranteed. Public opinion supported an immediate assumption of the dignities, equipment and responsibilities of mature statehood. Responsively, the autonomy provided for municipalities and counties imposed burdens in excess of needs.

The severe trials of the two years past, consequent upon the reversal of the federal tariff system, the intense controversy over irreconcilable monetary dogmas, and the task of liquidation thrust upon the country inopportunely by foreign security holders, causing suspension of credits, stagnation of industry and shrinkage of physical as well as productive values, have awakened every taxpayer to the imperative necessity of public economy.

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In passing, it is gratifying to reflect that throughout a reactionary period, prolific of grave disorder in other sections of the country, the people of Washington endured the inevitable with fortitude, and preserved, on the whole, a loyal, patient, law-abiding citizenship. No whimsical or sentimental interest in the specious protests of forensic law breakers was suffered to militate against the honor, peace and security of the state. The few instances of overt acts and violation of law were quickly condemned on every side and commensurately punished.

READJUSTMENT OF FISCAL POLICY.

The sound common sense and patriotism of the people, which have kept Washington in the column of sane and conservative states, now dictate a readjustment of fiscal policy, founded on conditions of revenue rather than theories of redemption; such a readjustment, in short, as will relieve the taxpayers of present increasing obligations, lessen future charges against the public funds, and place the public credit on the most substantial basis. The problem of revision and retrenchment, arising thus at a time when the household of state is deficient in many requirements essential to better government, and including as it does the administration of affairs in towns, cities and counties, is complex in the extreme. Investigation will disclose on every hand an outgo in excess of income, a graded attenuation of revenue, and a perilous disregard of duty on the part of auditing agents. Extending inquiry from the state into local governments, the experiences of disparity between disbursements and receipts will be comparable to an expansion of circles from a point of radiation. Step by step the state has been relaxing its governing relation to the fiscal conduct of counties without setting up requisite safeguards for honest and economic management. The widening latitude of county legislation, unprovided with ade-

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quate supervision and check, is developing expensive abuses of discretionary power. Under the numerous laws devoid of necessary restraining clauses, the interaction of local interests is favored to the prejudice of the common welfare. Insufficiency of penalty for malfeasance, for negligence, and for contempt of responsibility, encourages infirm and faithless officials, in whom the people repose their trusts. Shameless impositions mar the record of costs in criminal jurisprudence. The assessment system is unstable, extravagant and inefficient.

It is essential to prudent legislation at this time to calculate in all candor and courage, and with a full appreciation for the lessons of comparison, whither a policy so generously sustained by the people in the past may lead if strenuously pursued. In 1890 the national census accredited Washington with a population of 349,390, and in 1892 the assessors' census showed an increase of 46,199, making the total 395,589. The population for 1894 is estimated at 410,000.

The total valuation in 1890 was $217,612,897, and $226,245,182 in 1894. A gain of 60,610 in population was attended by an increase of $8,632,285 in valuation. Meanwhile, the assessment of 1892 had reached $285,846,824. Thus two years witnessed an expansion of state valuation by $68,233,927, while during a similar period immediately subsequent $59,601,642 evaporated from the assessment. The state tax, levied at a 3 mill rate for 1890, yielded $720,887.75. In 1894 it had shrunk to $648,870 at a 2½ mill rate. The approximate collections for 1890–2 were 80 per cent.; in 1893 they slumped to 65 per cent. Assessment, levy and collections all decline, with a steadily increasing outlay in town, city, county and state.

The disbursements of state, paralleling the foregoing facts, raise the audited outstanding indebtedness of $570,432 in 1890

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to $885,906 in 1892, and to $1,307,322.04 in 1894. County and city disbursements and receipts relatively exceed those of state.

TENDENCY TOWARD EXCESSIVE APPROPRIATIONS.

It is not within the range of human foresight to estimate accurately the revenue and disbursements for the fiscal term succeeding a legislative session, because of the variance between the restraining ideas of auditing officers, who are naturally on the side of economy, and the lavish impulses of the legislature, which is influenced by combinations of local interests and inclines to an excess of confidence in the public resources. Another and potent factor in rendering estimates nugatory is the changeableness of values and the uncertainties of tax collections under altering commercial and industrial conditions. When the third Washington legislature convened, confidence in the capacity of the state to redeem its warrant debt speedily was unquestioned. It was estimated that at the beginning of the fiscal term of the present year the treasury would contain a cash balance of $227,355.55. On the contrary, when March 31st comes around, the shortage, exclusive of bond and interest debt, will run over three-quarters of a million.

The receipts at the opening of the fiscal term beginning March 31, 1893, estimated at $855,500, were in reality $567,202.46, a discrepancy of $288,297.54. In the face of estimated necessary expenditures amounting to $1,440,444.45, the legislature appropriated, in addition to $308,140.87 deficiency appropriations, the sum of $2,124,722.31 for the fiscal term now drawing to a close. Of this amount, items aggregating $178,640 were vetoed. It will be seen that the appropriations, less the vetoed sums, in this instance exceeded the estimated needs more than half a million dollars.

The present legislature should closely scrutinize all appro-

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priation acts and defend the taxpayers from a repetition of such folly.

It should be borne in mind, in providing for the forthcoming fiscal term, that only one-fourth of the state tax for 1893 had found its way to the treasury March 31st, although the estimate of collection was 75 per cent. In view of all the circumstances, it is extremely doubtful whether the estimated collections of delinquent tax and of the levy for 1894, applicable to the fiscal term beginning next March, will fructify.

The outstanding indebtedness and prospective receipts should suggest the limitations within which appropriations are to be made for the fiscal term of 1895–7. Two methods have been resorted to in order to estimate as precisely as possible the revenues to be relied upon. One was to compute the receipts for 1895–7 on the basis of the percentage of loss from the estimated revenue collections of the closing quarter in the 1891–3 term (auditor's report) and the first half of the 1893–5 term. The other was to compile the actual receipts between October 31, 1892, and October 31, 1894, compare them with the audited estimated receipts (less the proportion of 12½ per cent. for collections coming within the closing quarter of the regular fiscal term and the levy available January 1, 1895, besides), and with this practical footing, measure the revenue, at a levy of 3 mills, for the two years ending October 31, 1896. The latter estimate was $1,470,000, the former $40,000 additional. Therefore, with present valuations prevailing, the state tax levy increased one-half mill and the ratio of collection remaining unchanged, the receipts for the period designated should be $1,500,000.

With the exception of appropriations unexpended October 31, 1896, roughly estimated at $500,000, the final liabilities for the 1895–7 fiscal term would be deficiencies and legislative ex-

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penses for the session of 1897. For the purposes of careful estimation as to positive resources the last named expenditures may be excluded as factors, protected as they fairly will be by the levy for 1896 and the collectible delinquencies available in January, 1897. How far below this $1,500,000 limitation of receipts for the next fiscal term the appropriations are to be kept, should be determined by consideration of the outstanding indebtedness.

APPROXIMATE INDEBTEDNESS OCTOBER 31, 1894.

Omission of interest account from the estimates and status of the public debt is a frequent oversight of computation. In departing from the customary methods of analysis and review the purpose will be to impress upon your honorable body the insidious nature of a fiscal policy which is not devised on sound business principles. Approximately, the state was obligated on October 31, 1894, as follows:

Outstanding warrants, general fund	$1,007,322 04
Estimated interest	42,292 88
Outstanding warrants, military fund	84,168 64
Estimated interest	4,560 00
Outstanding warrants, tide land fund	13,250 04
Estimated interest	300 00
Outstanding university warrants and certificates	20,365 55
Estimated interest	5,350 00
Deficiencies covered by certificates issued in old form, without provision for interest	40,088 97
Deficiencies covered by certificates in new form	33,570 94
Estimated interest	1,625 50
Aggregate current indebtedness	$1,252,894 56
Bonded indebtedness	300,000 00
Interest since April payment	6,725 00
Total debt	$1,559,619 56

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ESTIMATED INDEBTEDNESS, MARCH 31, 1895.

Including interest account, the state debt on March 31, 1895, will be closely represented by the following:

Outstanding warrants, general fund, including legislative expenditures	$1,312,081 71
Estimated interest	48,496 41
Outstanding warrants, military fund	75,068 64
Estimated interest	6,840 00
Outstanding warrants, tide land fund	33,250 04
Estimated interest	1,098 33
Outstanding warrants and certificates (university)	20,365 55
Estimated interest	5,350 00
Estimated deficiency, support of Cheney normal school	23,020 82
Estimated deficiencies audited and allowed by auditor, under sec. 22, page 641, Laws, 1889-90	39,526 57
Estimated deficiencies under chap. 59, page 110, Laws 1893	51,562 58
Estimated interest	3,075 64
Aggregate current indebtedness	$1,620,336 29
Bonded indebtedness	300,000 00
Interest due on bonds, April 1, 1895	10,500 00
Total	$1,930,836 29

SUMMARY OF RESOURCES.

The resources on March 31, will be represented approximately as follows:

Cash of October 31, 1894	$28,639 75
Estimate delinquent taxes 1891-2-3, collectible at indefinite date	457,600 65
Fifty per cent. of levy for 1894	325,000 00
Other revenues	30,841 50
Total	$842,081 90

That is to say, if all the revenue resources are available on March 31, only half of the current indebtedness can be extinguished. Opposed to such presumptive collection is the fact

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that the total receipts for the fractional quarter ending December 31, 1892, and the quarter ending March 31, 1893, were $402,564.95; while the total receipts for the full quarter ending December 31, 1893, and the quarter ending March 31, 1894, fell to $197,167.62.

Granting that the receipts between October 31, 1894, and March 31, 1895, should equal those of the same period two years ago, which would be a concession to the most sanguine expectations, the legislature still has to face the dilemma of a positive current debt of approximately $1,200,000. With a repetition of the experience of the two quarters ending March 31, 1894, the current liabilities at the outset of the next fiscal term would be nearly $1,500,000. It will be seen, therefore, that the anticipated revenues for two years, collected in advance, could scarcely redeem the current debt of March 31, 1895. Does this state of affairs not demand the most rigorous precaution and imply the severest responsibility in the law making power?

TAXATION FOR INTEREST DEBTS.

Interest charges are a cumulative burden not sufficiently considered. Since statehood the people have, on account of the state alone, redeemed $230,591.52, interest indebtedness, of which $122,016.72 has been a tax against the revenue taken in between October 31, 1892, and October 31, 1894. On the latter date the estimated outstanding interest debt was $60,892.04.

THE CONVERSION OF IDLE FUNDS.

When redemption as to date is not under contract imperative and obligatory it is senseless to maintain permanent funds for future use while interest charges are accumulating on increasing promissory payments. Strict business maxims should govern the administration of public finances. The practice of storing moneys for remote and indefinite expenditures when

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interest account could be reduced by their conversion is not rational. Particularly is this true of the state whose credit is supreme and whose pledge of ultimate liquidation is beyond distrust, secured as it is by positive yet immeasurable resources.

With the audited outstanding indebtedness, $835,183.90, on October 31, 1892, the treasury contained $145,610.99 in cash. October 31, 1894, the treasury balance was $275,890.17, and the audited debt was $1,307,322.04. Looking backward to October 31, 1890, the treasury balance was $35,738.17, and the total debt $575,006.24. Thus in four years, while the floating debt was swollen by $932,315.80, the deposits unavailable for the partial extinction of the interest debt increased by $240,052.

The following comparisons are compiled from audited reports:

	Debt.	*Interest paid on redeemed warrants.*	*Cash on hand.*
October 31, 1890	$575,006 24	$32,342 34	$35,738 17
October 31, 1891	480,625 97	26,140 08	68,424 50
October 31, 1892	885,906 00	50,092 38	145,610 99
October 31, 1893	875,022 21	55,155 43	262,641 94
October 31, 1894	1,307,322 04	66,861 29	275,890 17

It will be observed that an unproductive cash deposit is made by law to increase steadily as receipts shrink, while the public debt is inflating conversely as the revenues contract. Interest accretions could be lessened and restricted to a minimum by turning the idle moneys from all save the bond interest fund into the general fund for the redemption of warrants in rotation.

INVESTMENT OF THE SCHOOL FUND.

Of the $486,000 in bonds offered for sale during the two years past, the board of state land commissioners accepted

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$364,500, subject to approval by the attorney general, who sanctioned the purchase of $147,500. Since October 31st, an additional purchase of $58,000 in county bonds was made, leaving about $100,000 of uninvested school funds. Opportunities for proper investment of the school fund are inadequate. The state is at an insurmountable disadvantage in the matter of obtaining the most desirable bonds. It cannot cope successfully with the professional bond buyer, who operates in person with the authorities empowered to open and consider bids. On gilt edge issues the state invariably finds its offer a trifle under the price at which sale is made. As a last resort, other markets failing, the state is expected to convert the school fund into securities incapable of enduring the test of legal and financial scrutiny. Relief from this embarrassment lies within easy reach. The school fund should be allowed to revolve through the 8 per cent. warrants drawn against the general fund. Thus unremitting use of the surplus at an interest rate exceeding that of bond investments by more than 2 per cent. would be assured.

No constitutional amendment for this reform seems to be required. Sec. 5 of art. XVI, in its first clause distinctly defines inhibitions against the investment of the school fund "to private persons or corporations" and secondarily leaves the matter open to the discretion and wisdom of the legislature, by declaring "it *may* be invested in national, state, county or municipal bonds." No mandatory interdiction, except as to the two classes of investors specified, is discoverable. Manifestly, so long as the school fund remains permanent and irreducible, and is not loaned to private persons or corporations, the legislature may provide for its lucrative conversion through the general fund of the state. It should be the purpose to employ these moneys constantly with profit, while insuring their immunity

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from losses by forfeiture or deterioration of security, and no safer medium for steady accumulation from use could be devised than a law authorizing investment in state warrants.

REVISION OF THE REVENUE LAWS.

In remodeling the revenue laws it will become apparent that the deeper cause of the disproportionate subsidence of estimated wealth underlying trade and industrial reverses is traceable to the application of the high-assessment, low-levy principle. Overzealousness in creating and maintaining excessive local valuations has been seconded by the wholly deceptive notion that taxes are rendered less burdensome when the levy is minimized on maximum assessments. The false yet common tendency has been to appraise real property on the basis of cost or price — at what property exacted at speculative sale, or theoretically, should bring if sold — rather than to adjust assessment on the basis of actual worth, in money, as determined by utility and not by caprice. Once the latter plan were adopted, though the levy, fashioned to the revenue needs, became specifically higher, the further and beneficial effects would be a more equitable distribution of taxation, less perturbation of property values, a contraction of the delinquent lists, and greater encouragement to those processes of investment and development that are permanent and not speculative in character.

From the county auditors' reports I have procured for the purpose of informing the legislature as to the trend of extravagance in government, it appears that the annual outlay for the assessment exceeds $106,000.

Assessment of real property is too frequent, and therefore too expensive. The public interest would be conserved by extending the period of this assessment from one to two years.

In the line of curtailing cost, facilitating collections and expanding the revenue, the latitude of indirect taxation should be

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extended at once, in accordance with the successful experiments of those states having well grounded fiscal policies, and the stoutest resistance should be made to the interference of lobbies inimical to this reform. The tax most easily collected is the least burdensome.

The transfer or inheritance tax system of eastern states should be studied with a view to adoption.

Temporary provision for semi-annual collection of the tax levy on real property would meet with popular approval.

Remittance of the state apportionment of tax collections, as at present provided for, is dilatory. Funds which should be applied promptly on receipt from the taxpayers to the redemption of warrants and the cancellation of interest debt are withheld too often by county treasurers to suit their own convenience. This abuse should be corrected by stringent regulations.

Rigorous provisions to prevent the sequestration of personal property, a large proportion of which eludes taxation, should be adopted.

A large part of the ten per cent. liquor license tax due the state is lost for want of regulations essential to its collection.

The emergency clause should be omitted from the revenue act. It is an open question whether some of the provisions of a revenue law hastily put into operation will not prove retroactive. Certain delinquent revenues barely escaped forfeiture under a clause of the present act, and it would be wise to defer operation of the revised revenue laws, perhaps to the limit of a year, to afford opportunity for the proper study and comprehension of them.

To enforce collections 20 per cent. interest and a 5 per cent. penalty were imposed on delinquents. Existing embarrassments had not been foreseen. Remedial legislation in this

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particular is demanded. As inability to pay, caused by circumstances over which the citizen has no control, entitles him to statutory relief, remission of penalty and reduction of interest would be simple justice.

THE MANAGEMENT OF STATE LANDS.

The policy of concentrating the management of the state lands in a single commission, instituted by the legislation of 1893, has proved a departure in the line of the best possible achievements. The functions and duties of seven different boards were consolidated to the end that both the executive and administrative labors in connection with the public lands were condensed and concerted, and the business expedited and cheapened. In the matter of outlay, a comparative saving of nearly $13,000 in two years is shown, in official and clerical expenditures alone.

So long as the state is to operate as negotiator in landed property and retain the attitude of creditor to classes of its citizens — a relation wholly repugnant to good government — effectiveness of service, fixedness of responsibility and frugality of management, can be assured only by vesting full power to supervise, control and dispose of all state lands in one board of executive officers. The present law, still defective in this respect, and demanding repair in other particulars, should be amended and amplified so as to confer every authority requisite to absolute supervision, complete protection and profitable disposal of the public domain.

The careful perusal of the report of the board is urgently recommended, in order that the substantial benefits resultant from the painstaking and intelligent work already done may be comprehended clearly. The many suggestions contained therein are endorsed, and the several recommendations are fully approved as expedient, remedial and necessary.

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GRANTED LANDS.

The securement by the state of the 622,000 acres of land granted under the enabling act for the establishment and maintenance of public institutions had been slow, difficult and altogether unsatisfactory. Four years ago provisions were made for cruisers whose compensation consists of fees, one-half of which are paid after filing selections, and the remainder upon approval of filings by the secretary of the interior. Under a concession prescribed in the sundry civil bill, sixty days' preference right for filing had been allowed the state. Such was the usually prolonged period between application for the survey of a township and its completion, when the sixty days' provision for state selection and filing became operative, that settlers actual or collusive excluded the state from the most desirable tracts.

Inasmuch as the interests of the state were general rather than particular, its protests against the fraud, conspiracy and bad faith of which it was made the victim, were unavailing. Confronted by abundant evidence of losses certain to result from over valuations made by cruisers eager to profit from the fees for selection, and conscious of the antagonistic and far-reaching influence exercised by the timber purchasing syndicates where the rights or privileges of the state were concerned, the board of state land commissioners and the executive department, after consultation, assumed an advanced position toward the federal government in an appeal for special legislation on the subject of granted lands. In affirming the doctrine of the equality of the state and citizen, and in requesting impartiality of treatment within the law, it was demonstrated that for want of proper legislation, in conformity with the endowment provisions of the enabling act, the settler was favored as against the state, by existing settlement laws. Overwhelming proofs

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and amplified arguments in support of this position were forwarded to the land department, through our representatives in congress. Eventually the general land office adopted the view of the state administration, and, supported by the secretary of the interior, submitted an exhaustive and appropriate amendment for the sundry civil bill, which was adopted by the fifty-third congress without resistance. Now, the state, on application of the governor, may have townships surveyed at will with guaranteed reimbursement of costs from the federal government. This initiative step precludes settlement in the designated township until the state has obtained the preferable lands therein. Practically the state has gained the right, without ultimate expenditure for survey, to create temporarily a reservation of the superior townships remaining unsurveyed, from which it may segregate, in full satisfaction of the grants contained in the enabling act, the best arable and timber sections.

Subjoined is a statement of the acreage filed upon in the local land offices, the acreage approved by the secretary of the interior, and the values as estimated in the cruisers' reports. Obviously it had been the custom to make the apportionments as lands were accepted for filing with a view to sustaining an average of selected acreage for the enumerated grants. The present board of state land commissioners changed the method of apportionment. The selections approved by the secretary of the interior and accepted and apportioned by the former land commission, show a wide differentiation, as between the grants, of average value per acre; while a comparison of the average values of the apportionment by the present board bespeaks the adoption of a policy looking toward a final proximate equalization of the average values of the several grants.

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INSTITUTIONS.	No. acres in grant.	ACCEPTED SELECTIONS UNAPPROVED BY SECRETARY.			APPROVED BY SECRETARY.			TOTAL SELECTIONS.	
		Acres.	Estimated value.	Average value per acre.	Acres.	Estimated value.	Average value per acre.	Acres.	Average value per acre.
State charitable, penal, educational and reformatory institutions..	200,000	121,386.34	$1,057,909 00	$8 71	54,214.46	$529,361 00	$9 75	175,600.80	$9 43
Public buildings at state capital, sec. 12.....	32,000	11,300.43	103,498 00	9 15	12,000.00	93,420 00	7 78	23,300.43	8 45
Public buildings at state capital, sec. 17.....	100,000	48,725.03	616,881 00	12 68	17,091.87	267,526 00	15 65	65,816.90	13 42
Scientific schools.....	100,000	81,919.04	927,040 00	11 31	4,036.28	53,091 00	13 15	85,955.32	11 42
State normal schools.....	100,000	30,117.78	249,495 00	8 28	32,178.34	254,026 00	7 84	62,296.12	8 08
Agricultural college.....	90,000	37,942.67	479,862 00	12 65	30,241.70	231,650 00	7 66	68,184.37	10 42
Totals.....	622,000	331,391.27	$3,434,685 00	$10 36	149,762.65	$1,429,074 00	$9 54	481,153.94	$10 10

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The estimated average value per acre of the total number of acres filed upon is $10.10, while the average value of the selections approved by the secretary of the interior is $9.41. The latter lands were the first selected. The old board accepted 304,718.93 acres of selections valued at $2,938,042, an average value of $9.06. It will be seen that the average acre value has been raised $1.04 by the new board, as the result of vigilance and that opportunity to follow closely the cruising work which was not enjoyed by the old board on account of their other exacting duties as state officers. If the present average value is preserved, and there is every reason to believe it will be increased under the privilege of township reservation now afforded the state, from one-half to three-quarters of a million enhancement of revenue from the granted lands is assured. It will be observed, too, that the average values are undergoing such modification as should bring them to a parity. While the maximum difference of average in the selections approved by the secretary is $7.99 an acre, it is reduced to $4.40 in the total selections as they stand accepted by the board.

Of the total of the grants, 140,846.06 acres remain to be selected, and of the 481,153.94 acres taken up, 385,605.06 acres have not been approved by the interior department. Protest has been presented to the secretary to suspend approvals until the subject can be fully considered by your honorable body, and such provision made as will secure to the state every advantage to be derived under the operation of the new amendment to the sundry civil bill. A recruising of the suspended selections would seem to be advisable. The work could be done inexpensively, as compared with the present manner of outlay, through the coöperation of the land appraisers appointed under the act of March 15, 1893, with the board of state land commissioners. For thousands of acres comprised in filings more

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valuable tracts could be substituted, while the large areas selected as agricultural land in the arid belt might be rejected for future inclusion in the grant conferred on the state under the Carey reclamation act.

As the further employment of assistant attorneys general at local land offices is now rendered needless or nugatory, the repeal of the law which brought them into existence is recommended.

RECLAMATION OF THE ARID LANDS.

Sec. 4 of the federal sundry civil act of 1894 prescribes the manner in which 1,000,000 acres of desert land may pass under the ownership and control of those states desiring to avail themselves of the gift. The purpose of the law is to empower the public land states to promote the reclamation, cultivation and settlement of the arid areas within their boundaries and thus augment with all possible dispatch the permanently productive estate of the commonwealth. In striking the ultimate balance of accounts the state will have been at no expense, since the proceeds from the sales of the reclaimed lands are to be applied to the reimbursement of the state for the moneys invested, the residue of the revenues derived from the million acres to create a fund for the reclamation of additional desert lands. The establishment of the irrigation plant, which must precede settlement and sales, devolves upon the state, according to the terms of the act. For the present, however, the only step essential to the eventual acquirement of the grant is the passage of a law providing for a reconnoisance of the water sheds of Eastern Washington, preliminary survey and such other preparatory work as would be comprehended in a study of the irrigable possibilities of the Columbia river desert basin. In considering the urgency of this matter it should be remembered that the arid belt comprises nearly one-

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fifth of the total area of the state, and that every township therein contains 1,280 acres of school land now valueless.

HARBOR AREAS READY FOR LEASE.

The work of establishing the harbor lines of our cities having been finished, it is time to provide for the leasing of harbor areas. The policy should be to so shape legislation in the premises that the lowest possible wharfage charges will result. High rates of lease for the purposes of public revenue mean high rates of wharfage, to the detriment of commerce. Cheap wharfage will attract in increasing volume to our shores the trans-Pacific trade certain of diversion through the channel offering the least resistance, while it assures domestic consumers immunity from the burden of tax imposed in heavy charges which are in the last analysis added to the costs of transportation.

STATE INSTITUTIONS.

The cost of maintaining the state institutions has increased $128,031.29 during the two years ending October 31, 1894. The total cost of maintenance since statehood is $1,375,869.62, a sum $323,683.87 in excess of the outlay for all construction and improvement during that period. About $35,000 was expended the last two years in per diem and mileage for the several boards and commissions.

This branch of the public service is an open field for corrective and more comprehensive legislation. The laws pertaining to it are diverse, diffuse and unsymmetrical. A many headed system of management, irregular methods of disbursement, extraordinary independence of control, and a growing inclination to regard the institutions as means of concessions to localities rather than auxiliaries of government, are among the consequences. Certain boards draw warrants for quarterly maintenance sums, for the use of which in detail they are not account-

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able to the state auditing authority. These warrants are cashed, often at a premium, and while an interest debt is thus made to pile up against the taxpayers, the funds obtained lie in banks awaiting an indefinite necessity for employment. The manner and amounts of compensation for the directory officers are as varied as could have been devised. Some receive mileage; others are reimbursed for actual expense. Per diem is dissimilar throughout.

A sweeping reform as to this subject is recommended. The management of the state institutions should be provided for in one general act, all commissions, directors, boards and administrative officers to be placed under the supervision of an examiner, who shall act under the instructions of the governor in scrutinizing contracts, investigating methods and discipline, and in checking up disbursements. The foods and all supplies should be purchased under contract let to the lowest bidder, after publication of notice in leading newspapers of the trade centers of the state. Mileage should be abolished; only actual expenses repaid; per diem made uniform, and the authority to draw quarterly allowances revoked.

NORMAL SCHOOLS.

Our public institutions, though endowed handsomely, are as yet a charge against the revenues resulting from direct taxation, and they must so continue to be until another tide of immigration and the renewed prosperity attending it shall render the granted lands disposable. It was owing to no personal feeling or antipathy of opinion that the veto power was exercised in the cases of the Cheney and Whatcom Normal Schools. While it is not to be denied that the normal training is essential to the best educational equipment of the state, and an admirable adjunct to the modern public school system of which Americans are so justly proud, I was fully persuaded that the

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people were sufficiently taxed for the support of facilities to higher education.

THE STATE PENITENTIARY.

Whether the state will recover in full the amount of the defalcation, the discovery of which was attended by the deplorable tragedy at the penitentiary, is not yet determined. In all probability the monetary loss will be inconsiderable. In recalling the melancholy expiation of the warden, whose reputation for probity had been unquestioned, it should be said that his talent as an executive officer and his skill as a disciplinarian wrought in the institution changes for the better, the value of which to the state is not to be estimated lightly.

The law respecting the sale of the products of the jute mill should be reconstructed and its provisions so hedged with penalties that the bartering and manipulations of middlemen will be suppressed.

STATE CAPITOL BUILDING.

The financial stringency following so swiftly on the passage of the capitol building act thwarted the purpose to put it into effect immediately. Funds anticipated were not available, owing to the suspension of land investments and the contraction of values, in the face of which it would have been unwise to attempt the sale of the lands granted under sections 12 and 17 of the enabling act. Further delay was occasioned by internal differences arising unexpectedly in the commission, the settlement of which in accordance with the dictates of duty compelled a reluctant and regrettable exercise of executive authority.

The basic work of the capitol is now well under way. On behalf of the enactment of such legislation as will be conducive to the prompt erection of the building, no more eloquent argument could be invoked than the protests of your own pride

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and dignity against the shabbiness and meanness of your legislative surroundings.

An erroneous idea as to the nature of the liability to be incurred has taken possession of the public mind. The debt to be created will not be a charge against the tax revenue. It will inflict no hardship either present or future. The act providing for the location and erection of the capitol building established a "capitol building fund," against which all warrants must be drawn. It is declared they shall be redeemed out of none other. Proceeds from the sale of granted lands are to form this fund. In a separate act the sale of the lands is provided for. Of the 132,000 acres included in the grants, 29,091 acres have been approved by the secretary of the interior, the total estimated value of which is $360,946, or an average value per acre of $12.40. The total of 89,117.33 accepted from the cruisers are appraised at $1,045,325, an average of $11.73 per acre. It is safe, therefore, to anticipate that the grants will yield an average of at least $10 an acre, or an aggregate fund of $1,320,000. Plans for the construction limit the cost to $1,000,000. Thus a sufficient amount should accrue to satisfy all interest debt necessitated by an immediate employment of the principal required. As the moneys derived from the sale of the granted lands enumerated can be diverted to no other use, under the terms of the enabling act and the law, and as the plans comprehend an expenditure safely within the bounds of the estimated endowment income at present—which is less than prospective valuation—no valid reason exists why the state should not prosecute with diligence and vigor an undertaking in which eighty per cent. of the materials to be utilized will come from our virgin resources.

It is recommended that a law be passed, under section 3, art. VIII of the constitution, providing for the issuance of ten year

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four per cent. capitol building fund bonds, payment of interest installments and final redemption to depend upon the proceeds of the progressive land sales. It is scarcely to be doubted that the people, if enlightened as to the actual scope and effect of such an act, would withhold their approval at the next general election. As the warrant rate of interest is eight per cent., the saving to be made by the bond issue is obvious.

THE NATIONAL GUARD.

Our military establishment should be renovated. As law is the monarch of democracy, so a well organized militia is the custodian of its citadel. Sedition or insurrection, the tyranny of mobs, conspiracies of violence to personal and property rights, call it to the defense of the commonwealth, and at the supreme moment, when ignorance and the evils of selfish or misguided citizenship assail the guarantees of the constitution, the militia should not be found wanting. I do not wish to be understood as intimating even that the body of the National Guard of Washington is not ardent, spirited, loyal and ever ready for unquestioning service. On more than one occasion its valor, patriotism and efficiency have been fully tested and justly lauded. What I desire to criticize, with a view to recommending a revision of the methods of organization, is the policy of *electing* superior and commanding officers. When the question of the organization and control of the militia was under debate in the federal constitutional convention, no one contended for the exercise of the elective principle. On the contrary, the right reserved to the states was expressly the "appointment of the officers." It had been the experience of the trying times precedent to the convention that, as Madison put it, "elective officers courted popularity too much to enforce discipline." We have witnessed in our own state and time the pernicious and demoralizing influ-

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ence of military elections. Substitution of the appointive for the elective plan of preferment, or promotion, under surveillance of the commander-in-chief, would eradicate the partisanship, favoritism and politics so fatal to discipline and so corruptive of that singleness of feeling which should animate the soldiery of the state. Examination as to aptitude and qualifications for command is now puerile and perfunctory. It should be specific and rigid.

If the legislature undertakes to provide for a restricted or more thrifty management of the national guard the facts should be kept conspicuously in mind that the members of the military household are at considerable personal sacrifice, and that both their zeal and enthusiasm are measured by losses to themselves in purse and time. They comprise much of the brain and brawn of the best citizenship; and at no point in its expenditures for the maintenance of the military establishment does the state offer adequate compensation for the duties voluntarily assumed or the services rendered by the citizens composing it.

THE WORLD'S FAIR COMMISSION.

Conceived in public enthusiasm and pride, the plan of presenting at the world's fair an exhaustive exhibit of the wealth and attractions of our state was executed with surprising enterprise and skill. The unique Washington building and its contents were the wonder and delight of all visitors; a credit to the zeal and ability of the commission; a testimonial to the progressive spirit and industry of our people, and a proof of the incomparable variety of our resources. With a revival of prosperity, substantial returns in the form of the most desirable immigration will reward this enterprise. The report of the commission minutely details the financial and other features of the management.

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ELECTION REFORM.

For the judges, clerks and messengers of a single state election the people are taxed approximately $40,000. When the count is prolonged into the night, one and one-half to two days' wages are paid. Messengers are recompensed very much in accordance with the whims of auditing officers. The most responsible citizens should serve as custodians and accountants at the polls. Compensation should be neither expected nor vouchsafed. Returns from remote precincts should be forwarded to the county auditor by registered mail. All indemnity for individual election services should be expunged from the statutes and assignment to the several duties made, under severe penalty for avoidance or refusal, from lists of tax paying citizens submitted on stated occasions by the county treasurer. Purification of the franchise would be facilitated by this reform. A repeal of the present compensatory provisions of the election laws should be contained in a measure designed to minimize aggregate precinct votes, with a view to insuring spontaneous and perfect inspection. The larger the number of voters at a polling place, the wider the cover for illegalities and corrupting influences. By providing for the re-constitution of precincts on the basis of each preceding registration, so as to limit the voting capacity of each precinct to a maximum of 150 or 200 citizens, such would be the natural nearness of public scrutiny, owing to the environment of acquaintance, that few illegal, fraudulent or contaminated votes could be cast. Taxpayers might well afford the little expenditure for temporary hire of the increased number of polling places, in view of the savings for personal labor. Carried into effect, the design briefly outlined would enable cities, whose industrial and trade activities are to be considered, to cast their votes after midday. Brief and gratuitous service on the part of the officers, a clean vote and a quick

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count, a great saving to the taxpayers and the improved integrity of the suffrage, would attend the enforcement of this plan. The use of registration lists should be provided for at all elections involving even remotely any drain upon taxable resources or public funds.

COSTS FOR THE PROSECUTION OF CRIME.

Reports from twenty-four counties and estimates as to ten, together with state costs, show that the amount expended during the last year for court and coroner jurors and witness fees and mileage will not fall far short of $350,000.

The fee system in criminal jurisprudence demands radical reformation. No mileage should be granted, and all fees should be wiped out. In lieu of existing statutory prescriptions covering this subject, it should be provided that *actual expenses* for jurors and witnesses in attendance at court or serving at inquests, be paid under the certification of the judge, prosecuting attorney or coroner, as the case may be. In civil jurisprudence, the litigants should be required to pay the fees, as usual.

The first function of society is protection; its chief organic assailant, crime. All members of civilized society are bound together as prosecutors by an unwritten compact. As witnesses or jurors they perform a duty which should be voluntary and without hire, rather than enforced or for pay. No pecuniary sacrifice should be suffered; no personal profit required. Under laws limiting the costs of prosecutions against crime to reimbursement for actual outlay or loss, a healthier atmosphere would pervade criminal practice. The evils of the professional juror and time serving witness would be suppressed. Trials would be shortened, the present cumbersome records abbreviated and the active coöperation of the best classes of citizens secured by the official prosecutors.

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SUPERIOR COURT DISTRICTS.

Re-classification of the superior court districts is desirable, to the end that the number of judges may be cut down. Court commissioners, as provided for by the constitution, could make orders in probate in such counties as might be deprived of a resident judge by the formation of new and larger districts.

UNNECESSARY MUNICIPAL COURTS.

The municipal courts are a merely ornamental and extravagant encumbrance to our city governments. The law which brought them into existence should be repealed. Recourse should be had to the former and cheaper plan, the justices to be allowed a salary not to exceed $50 a month.

JUSTICE FOR RICH AND POOR ALIKE.

Poverty should not be suffered to serve any longer in Washington as a badge for exclusion from the administration of justice. It is time a law were enacted granting to impoverished citizens, upon proper showing of indigence, the right to sue *in forma pauperis*, ministerial officers to perform all pertinent services without cost or unnecessary delay. Neither appeal bond or printed briefs should be prerequisite to hearing in the supreme court. Congress has passed such a measure and its principles are embodied in the statutes of many states.

IMPOSITION ON A DEBTOR CLASS.

Laws defensive of debtor classes, inspired by a discriminating sense of the equities involved, are an elementary ingredient of wise government. When property sold on foreclosure or execution is redeemed by the debtor or designated agent within the legal annual term of redemption, it is gross and manifest injustice to impose on the debtor the entire judgment debt and

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interest, while at the same time no means is afforded of recovering from the purchaser or satisfied creditor the income and profits of which the owner or debtor has been deprived during the redemption period.

NEED OF A STRINGENT BANKING LAW.

The legislature should address itself resolutely to the enactment of such a law as will render the word "bank," when inscribed on a public depository, the positive synonym of security.

RAILROAD LEGISLATION.

Our railroad legislation has been tentative and trifling, owing to the prevalence of the idea that the adoption of any measure attacking transportation revenues might cause losses on operation and investment, which would injure the best interests of the state in discouraging the construction of new lines or the extension of existing ones. So long as the question of the regulation of railroad and general transportation charges is approached in a spirit of moderation and with the purpose to do exact justice between the corporate powers and their patrons, it is not to be apprehended that the public will be accused of any narrow visioned hostility or prejudice to the organized capital represented in transportation companies. The genius of Vanderbilt long ago taught us primarily what the Hungarian zone system has fully demonstrated in later years: that minimum charges, enlarging the horizon of freedom in exchange and commercial intercourse, lead to such increase in the volume of traffic as makes the sum of the small profits greater than the net income from the higher rates which serve really to restrict internal commerce and depress the values of communities made poorer by the waste of products they can neither use nor send to market. The legislature should amend and improve the present rate law so as to afford the public the utmost relief con-

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sistent with honesty and fair dealing, and make ample provision for its absolute enforcement. Complaint of evasion is now common and apparently justified. I would recommend also that the excessive sleeping car rates in this state be scaled down, and that the absurd rules of the Pullman Palace Car Company receive your attention.

BUREAU OF STATISTICS, AGRICULTURE AND IMMIGRATION.

One of the first in importance among the directory clauses of the constitution creative of auxiliary offices of state government, relates to the establishment of a bureau of statistics, agriculture and immigration. Repeated recommendations have failed to enlist the interest of the legislature in the execution of this mandate. The idea that such a bureau is unnecessary, and therefore would be a useless expense, is erroneous and narrow. Intelligent and salutary legislation is dependent upon that perfect knowledge of conditions which is the fruition of continuous and methodical research. No authority exists anywhere at present for the procurement and proper compilation of facts intended to reveal at a glance the inner workings of county and municipal government; the encroachment of corporate organization on individual rights, the tendencies for good or bad of industry and commerce; the estate and needs of the laboring and agricultural classes, and the inducements to desirable immigration. This bureau should be created without further delay, and, either as agent or attaché thereof, an expert grain inspector should be provided for to protect wheat shipments against the forced deductions of value inflicted on the farming communities by unjust classification at railroad terminals.

PUBLIC PRINTING.

The public printing amendatory act, approved March 9, 1893, was a long step in the direction of economy, in centraliz-

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ing the responsibility for expenditures. The $60,000 printing appropriation for the fiscal term ending in 1893 was exhausted July 20, 1892. The legislature, after providing for a deficiency of $52,500, appropriated $70,000 for the fiscal term beginning March 31, 1893. Subsequent to that date about $11,000 of outstanding bills, not included in the deficiency estimate, were paid out of the appropriation for the new term, leaving $59,000 as the sum of the appropriation actually available for public printing during the two ensuing years. On January 8, 1895, the total draft on the $70,000 appropriation was $59,493.83, leaving $10,506.17 to defray the costs of publishing the last of the state official reports and the incidental printing needed for the rest of the term. In round numbers, after the printing of the present legislative session has been provided for, the comparison will show an approximate saving of $50,000 in two years under the act quoted, which might be amended further to the public advantage so as to require that costs for printed materials used at state institutions be made a charge against the respective maintenance funds.

REPORTS OF STATE OFFICERS AND COMMISSIONS.

No review, however synoptic, of the numerous published reports of state officers and commissions could be attempted without needlessly testing your patience and profitlessly absorbing your time. It is to be assumed that you will give each and all of these valuable state documents your searching attention. I do not concur, for the present, in many of the urgent requests for enlarged appropriations and new investments in the machinery of government, though realizing the laudably sincere and progressive spirit animating the proposals.

The report of the supreme court merits the especial and fostering consideration of the judiciary committees of both branches.

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They should take the legislative initiative promptly and in harmony, pursuant to the recommendations submitted.

LEGISLATIVE EXPENSES.

The expenditures for legislative sessions are out of all proportion to actual requirements, and mask innumerable petty leakages from the treasury. The last assembly carried 107 employés, who cost the state $19,801 for salaries alone. The outlay for mileage was $7,339.60; for incidentals $7,010.81, and for printing $13,953.51. The number of clerks and supernumeraries in the two branches could be reduced at least one-half without incommoding the members or impairing the usefulness of the committees. Large savings in other directions could be enforced through the vigilance of a scrupulous auditing committee. The legislature should repeal every statutory provision for the payment of mileage, no matter what the character or class of officials affected, and thus save to the people the difference between actual expenses incurred and the gratuitous sums now paid for traveling.

CONCLUSION.

It is recommended that, early in the session, you compel the consideration of appropriations essential to the conduct of public business and the maintenance of public institutions, so that the legal expenditures of the forthcoming fiscal term may not be made, as they have been in the past, the riders of an overtopping omnibus bill hurriedly enacted in the closing hours, as the result of heedless compromises between sectional or official claimants for public funds. Fifteen days from the date of final adjournment should be fixed by rule as the period within which further introduction of bills will not be permitted. Such are the complications and evils proceeding from hasty, ill

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